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**BEFORE THE ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE APPLICATION  
OF PAYSON WATER COMPANY FOR  
APPROVAL OF A WATER  
AUGMENTATION SURCHARGE TARIFF  
(MESA DEL CABALLO SYSTEM)

DOCKET NO: W-03514A-10-0116

IN THE MATTER OF THE NOTICE OF  
FILING OF PAYSON WATER COMPANY'S  
PROPOSED CHANGES TO ITS  
CURTAILMENT TARIFF (MESA DEL  
CABALLO SYSTEM)

DOCKET NO: W-03514A-10-0117

**MOTION FOR EXTENSION OF  
TIME TO COMPLY WITH  
DECISION NO. 71902 AS AMENDED  
BY DECISION NO. 72679**

Payson Water Company, Inc. ("Payson Water") hereby files this Motion for Extension of Time to Comply with Decision No. 71902, as amended by Decision No. 72679 (November 17, 2011) in the above-captioned matter. On September 28, 2010, the Arizona Corporation Commission ("Commission") granted Payson Water emergency rate relief in Decision No. 71902. The one remaining compliance requirement was for Payson Water to file an application for permanent rate relief by September 27, 2011. On November 17, 2011, the Commission granted Payson Water's request for an extension of time to comply with Decision No. 72679. For the reasons set forth below, Payson Water respectfully requests that the extended deadline to file an application for permanent rate relief be extended to May 1, 2013.

1 The emergency rate relief granted by the Commission in Decision No. 71902 was  
2 the approval of Payson Water's current Interim Water Augmentation Surcharge  
3 ("Surcharge"). This Surcharge is designed to allow Payson Water to recover its costs of  
4 supplementing water supplies for its Mesa Del Caballo system between the months of  
5 May and September each year. These revenue neutral costs are merely passed through to  
6 the end-user, and do not include the recovery of any administrative costs, nor does it  
7 provide Payson Water with any excess funds or profit. This method of water  
8 augmentation is meant to be a temporary solution to the lack of water supplies inherent in  
9 the area.

10 Since August 2009, Payson Water – in conjunction with the Mesa Del Caballo  
11 Water Committee ("Committee") and several customers – explored the feasibility of  
12 addressing chronic water shortages by participating in the C.C. Cragin Pipeline Project  
13 ("Pipeline"). The Pipeline is being developed by the Town of Payson to deliver Salt River  
14 Project ("SRP") renewable water supplies from the CC. Cragin reservoir, located  
15 approximately 25 miles northeast, to Payson, Arizona. The Pipeline route passes very  
16 close to Payson Water's Mesa Del Caballo's system, and an interconnection can give the  
17 company access to as much as 72 acre-feet of renewable water supplies annually. Payson  
18 Water has conducted several analyses of the potential costs for this water, and has shared  
19 this with the Committee and individual customers. To date, there is overwhelming  
20 support for moving forward with an interconnection to the Pipeline. However, this will  
21 come at a cost that will require Commission approval.

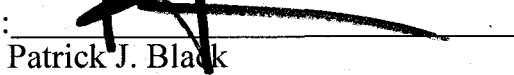
22 After many months of negotiation, Payson Water has executed a supply agreement  
23 with SRP and is now in the final stages of approving and executing an operational  
24 distribution agreement with Town of Payson to deliver Cragin water to the Mesa del  
25 Caballo customers.

26 Payson Water will be filing a financing application to recover the costs of an

1 interconnection, and the issues addressed therein will be inextricably linked to a rate case.  
2 Therefore, in the interest of administrative and judicial economy, Payson Water  
3 respectfully requests that the deadline set forth in Decision No. 72679 be extended to May  
4 1, 2013 – with the additional requirement of filing a financing application to address the  
5 Mesa Del Caballo's long term water supply needs. As such, Payson Water believes that  
6 granting its request for delay is in the public interest, and urges the Commission to grant  
7 such approval.

8 RESPECTFULLY SUBMITTED this 1<sup>st</sup> day of November, 2012.

9 FENNEMORE CRAIG, P.C.

10  
11 By:   
12 Patrick J. Black  
13 Attorneys for Payson Water Company

14 **ORIGINAL** and 13 copies filed  
15 this 1<sup>st</sup> day of November, 2012, with:

16 Docket Control  
17 Arizona Corporation Commission  
18 1200 West Washington Street  
19 Phoenix, Arizona 85007

20 **COPY** hand-delivered  
21 This 1<sup>st</sup> day of November, 2012, to:

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